

Message Text

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ACTION EB-08

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TAGS: EAIR, ETRN, UY

SUBJ: GOU PROPOSED TAX ON INTERNATIONAL AVIATION

REF: (A) MONTEVIDEO 5288 (B) 77 STATE 292151 (C) MONTEVIDEO 0664

1. SUMMARY. PASSAGE OF THE GOU PROPOSED TAX ON INTERNATIONAL AVIATION IN ITS ORIGINAL FORM (REFTEL (A)) APPEARS IMMINENT IN THE APRIL 4 PLENARY SESSION OF THE COUNCIL OF STATE. LOCAL MANAGEMENT OF THE U.S. OFF-LINE CARRIER, WHO WILL MOST LIKELY NOT SELL TICKETS UNDER THE TAXING REGIME, BELIEVES THAT THE PROPOSAL WILL COMPEL MANY OF THE TEN OFF-LINERS TO ABANDON THE LOCAL SALES MARKET IF THERE ARE NO AVAILABLE LOOP HOLES. THE TEXT OF A PROPOSED DIPLOMATIC NOTE, DETAILING U.S. OPPOSITION TO THE PROPOSAL AND PRESENT DOT STUDY OF IT IS TRANSMITTED BELOW. END SUMMARY.

2. THE GOU PROPOSED TAX ON INTERNATIONAL AVIATION HAS LEFT COMMISSION STUDY (MINISTRIES OF DEFENSE, ECONOMY AND FINANCE, AND FOREIGN RELATIONS) AND WILL BE PRESENTED TO THE PLENARY SESSION OF THE COUNCIL OF STATE ON APRIL

4. SOURCES IN THE COUNCIL HAVE INDICATED SUPPORT FOR THE PROPOSAL WITHIN THE COUNCIL TO SECURE ITS APPROVAL, IN
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ORIGINAL FORM AS REPORTED IN REFTEL (A).

3. BRANIFF INTERNATIONAL REGIONAL VICE PRESIDENT MARPLES AND LOCAL BRANIFF SALES MANAGER BLACK VISITED THE EMBASSY ON MARCH 29 TO DISCUSS THE POTENTIAL IMPACT OF THE PROPOSED TAX. BOTH BELIEVED THAT BRANIFF WOULD NOT SELL TICKETS SUBJECT TO THE TAXING REGIME AND THAT A MAJORITY OF THE

OFF-LINE CARRIERS NOW IN URUGUAY MIGHT POTENTIALLY ABANDON THE LOCAL SALES MARKET. BELIEVING THAT NEITHER THE URUGUAYAN NATIONAL AIRLINE, PLUNA, NOR THE PRESENT ON-LINE CARRIERS (DUE TO FLIGHT SCHEDULING) WOULD BE ABLE TO HANDLE THE PASSENGER LOAD AND THUS WOULD BE COMPELLED TO TICKET URUGUAYANS ON OFF-LINE CARRIERS, THEY SEE THE PROPOSAL AS BOTH DISCRIMINATORY AND COUNTER TO THE INTERESTS OF THE FLYING PUBLIC.

4. EMBOFF HAS ALREADY SPOKEN TO AERO URUGUAY REPRESENTATIVE, POINTING OUT THAT THEY HAVE AN INTEREST IN SEEING THE PROPOSAL DEFEATED SINCE THEIR FIRM WILL BE APPLYING FOR U.S. LANDING RIGHTS IN THE NEAR FUTURE, AND THE PROPOSAL'S PASSAGE MIGHT AFFECT THE OUTCOME OF THEIR APPLICATION. EMBOFF WILL BE CONTACTING PLUNA TO DETERMINE WHAT FUTURE PLANS THIS CARRIER HAS VIS-A-VIS LANDING RIGHTS IN THE U.S., AND WILL REPORT ACCORDINGLY TO AFFORD DOT MAXIMUM LEVERAGE UNDER PL 93-623. WE ARE ALSO DELIVERING AN AIDE-MEMOIRE, DETAILING U.S. OPPOSITION TO THE TAX PROPOSAL AND PRESENT DOT STUDY UNDER THE INTERNATIONAL AIR TRANSPORTATION FAIR COMPETITIVE PRACTICES ACT (PL 93-623) ON INSTRUCTIONS IN REFTEL (B), TO THE DIRECTOR OF THE BUREAU FOR ECONOMIC AND COMMERCIAL AFFAIRS (FOREIGN MINISTRY) AND TO THE DIRECTOR GENERAL OF THE MINISTRY OF ECONOMY AND FINANCE.

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5. WE FURTHER PROPOSE THAT A DIPLOMATIC NOTE, BE DELIVERED TO THE FOREIGN MINISTRY AND COPIES BE DISTRIBUTED TO OTHER APPROPRIATE PARTIES. WE REQUEST DEPARTMENT APPROVAL TO SEND THE FOLLOWING NOTE ASAP IN ORDER TO PRE-DATE APRIL 4 COUNCIL VOTE:

QUOTE: THE EMBASSY OF THE UNITED STATES OF AMERICA PRESENTS ITS COMPLIMENTS TO THE GOVERNMENT OF THE ORIENTAL REPUBLIC OF URUGUAY AND HAS THE HONOR TO REFER TO THE GOVERNMENT OF URUGUAY'S DRAFT LAW TAXING THE SALE OF INTERNATIONAL AIRLINE TICKETS. THE GOVERNMENT OF THE UNITED STATES WISHES TO INFORM THE MINISTRY OF ITS CONCERN ABOUT THE POSSIBLE IMPACT OF THE TAX ON UNITED STATES AIR CARRIERS. THE UNITED STATES BELIEVES THAT THE PROPOSED TAX WILL DISCRIMINATE AGAINST THE SOUTH AMERICAN OPERATIONS OF U.S. CARRIERS. THE TAX PROPOSAL IS PRESENTLY BEING EXAMINED BY THE UNITED STATES DEPARTMENT OF TRANSPORTATION PURSUANT TO THE INTERNATIONAL AIR TRANSPORTATION FAIR COMPETITIVE PRACTICES ACT (PUBLIC LAW 93-623). THIS LAW REQUIRES THE DEPART OF TRANSPORTATION AND OTHER UNITED STATES GOVERNMENT AGENCIES TO IDENTIFY DISCRIMINATORY AVIATION PRACTICES BY FOREIGN GOVERNMENTS AND TO SEEK THEIR ELIMINATION THROUGH NEGOTIATIONS. IF NEGOTIATIONS ARE UNABLE TO ELIMINATE

THE DISCRIMINATION, COMPENSATORY CHARGES CAN BE ASSESSED
ON THE U.S. OPERATIONS, PRESENT OR FUTURE, OF THE AIR CARRIER
OF THE COUNTRY INVOLVED. THE PROPOSED MEASURE IS ALSO UNLIKELY
TO BE HELPFUL IN FUTURE UNITED STATES-URUGUAYAN BILATERAL
AVIATION NEGOTIATIONS. THE FAIR COMPETITIVE PRACTICES ACT
CLEARLY STATES THAT THE UNITED STATES GOVERNMENT IS TO USE
ALL AVAILABLE REMEDIES TO ELIMINATE DISCRIMINATORY TREATMENT
OF UNITED STATES AIR CARRIERS. UNQUOTE.
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